U-RE AUTO SDN BHD

v.

YORK PACIFIC HOLDINGS LTD

COURT OF APPEAL, KUALA LUMPUR
GOPAL SRI RAM JCA
ALAUDDIN MOHD SHERIFF JCA
RICHARD MALANJUM JCA
[CIVIL APPEAL NO: W-02-124-1997]
10 OCTOBER 2002

TRADE MARKS: *Passing off - Goodwill - Whether sufficiently established*

CIVIL PROCEDURE: *Injunction - Injunction restraining passing off of goods - Goodwill - Whether sufficiently established*

This was the defendant's appeal from the decision of the High Court allowing the plaintiff's application for a perpetual injunction and other anxillary reliefs against the defendant. The plaintiff's action against the defendant was based on the tort of passing off. The issue was whether the plaintiff had made out sufficient goodwill to maintain an action in passing off.

Held (dismissing the appeal)
Per Gopal Sri Ram JCA (delivering the judgment of the court):

[1] The defendant had admitted without qualification that the plaintiff's predecessor in title had continuously conducted business in Malaysia for 20 to 30 years. The High Court correctly found no break in the plaintiff's business in Malaysia. Additionally, the High Court was well aware of the nature of the case it was trying and did not misdirect itself upon the essential ingredients of the tort of passing off. (p 177 a, f-g)

[2] It was not a *sine quo non* for the plaintiff to succeed to show that it was either physically present in Malaysia or present here through an agent. Evidence of custom will suffice. Such evidence was led in abundance at the trial. Not only was that evidence credible, it was also accepted by the High Court. (p 178 c)

[3] Whether there is a goodwill or not in a particular case is a question of fact and degree depending on the peculiar facts and evidence produced before a trial court. Once it is found as a fact that there is goodwill then in the absence of circumstances showing that such a finding is perverse or unwarranted, it is a general rule that this court will not interfere with such a finding. (p 178 d)

[4] As to the issue that the plaintiff failed to discharge the onus to prove the element of goodwill, this was not a case in which only the evidence of the plaintiff was before the court. Evidence had been led on both sides. When all the evidence is in, save in a very exceptional case, the question of burden of proof becomes academic. In the present case, all the evidence was in and the defendant's witnesses themselves conceded that the plaintiff had done business for a long time in this country. The plaintiff was entitled to rely on that evidence and the High Court was entitled to act on that evidence. (p 178 f)

*[**Bahasa Malaysia** Translation Of Headnotes*

Ini adalah rayuan defendan terhadap keputusan Mahkamah Tinggi membenarkan permohonan plaintif untuk injunksi kekal serta beberapa relif lain terhadap defendan. Tuntutan plaintif terhadap defendan adalah berasaskan kesalahan tort kelirupaan. Isunya adalah sama ada plaintif telah mencipta nama baik yang mencukupi bagi menyokong satu kes kelirupaan.

Diputuskan (menolak rayuan)
Oleh Gopal Sri Ram HMR (menyampaikan penghakiman mahkamah):

[1] Defendan telah secara mutlak mengakui bahawa pendulu dalam hakmilik plaintif telah menjalankan perniagaan di Malaysia selama 20 hingga 30 tahun. Mahkamah Tinggi dengan betulnya mendapati bahawa perniagaan plaintif di Malaysia telah berjalan secara terus menerus. Begitu juga, Mahkamah Tinggi amat sedar tentang sifat kes yang diadilinya dan tidak tersalah arah akan dirinya berhubung ingredien-ingredien penting kesalahan tort kelirupaan.

[2] Untuk berjaya, ianya bukanlah suatu *sine qua non* bagi plaintif untuk membuktikan bahawa ia harus berada di Malaysia secara fisikal ataupun harus berada di sini melalui seorang agen. Keterangan adat kebiasaan sudah mencukupi. Banyak keterangan sedemikian dikemukakan sewaktu perbicaraan. Keterangan tersebut bukan sahaja boleh dipercayai malah telah diterima oleh mahkamah.

[3] Sama ada nama baik wujud ataupun tidak dalam sesuatu kes adalah satu persoalan fakta dan tahap bergantung kepada fakta-fakta khusus dan keterangan yang dikemukakan di mahkamah bicara. Sebaik ianya didapati bahawa nama baik wujud, dan dengan ketiadaan keadaan yang menunjukkan bahawa dapatan sedemikian adalah bertentangan atau salah, maka kaedah amnya adalah bahawa mahkamah ini tidak akan mengganggu dapatan yang sedemikian itu.

[4] Berkaitan isu bahawa plaintif gagal melaksanakan kewajipannya untuk membuktikan elemen nama baik, ini bukanlah kes di mana hanya keterangan plaintif sahaja yang berada di hadapan mahkamah. Keterangan malah diberikan oleh kedua-dua pihak. Apabila keterangan sudah dikemukakan, kecuali dalam halkeadaan yang sangat terhad, persoalan tanggungan pembuktian sudah menjadi akademik. Dalam kes semasa, semua keterangan telah dikemukakan dan saksi-saksi defendan sendiri mengakui bahawa plaintif telah menjalankan perniagaan yang lama di negara ini. Plaintif berhak untuk bergantung kepada keterangan sedemikian dan Mahkamah Tinggi juga berhak untuk bertindak atas keterangan yang sama.

Case(s) referred to:
Anheuser-Busch Inc v. Budejovicky Budvar NP & Ors [1984] FSR 413 ***(refd)***
Athletes' Foot Marketing Associates Inc v. Cobra Sports Ltd [1980] RPC 343 ***(refd)***
Erven Warnink v. Townend & Sons [1979] AC 731 ***(refd)***
Robins v. National Trust & Co Ltd [1927] AC 515 ***(refd)***
Sethuratnam v. Venkathchella AIR [1920] PC 67 ***(refd)***
Star Industry Co Ltd v. Yap Kwee Kor [1976] 1 MLJ 149 ***(refd)***

For the appellant - Chan Weng Keng (Lee Soon Cheong); M/s Chan Weng Keng & Assoc
For the respondent - Ong Kee Kwan; M/s Lee Ong & Kandiah

[Appeal from High Court, Kuala Lumpur; Suit No: D5-22-925-1994]

Reported by Usha Thiagarajah

JUDGMENT
(Oral)

Gopal Sri Ram JCA:
This is the judgment of the court.

The appeal herein is directed against the order of the High Court granting the respondent (plaintiff in the court below) a perpetual injunction and other anxillary reliefs against the appellant (defendant in the court below). The matter arose in this way.

The plaintiff is the successor in title, by assignment to the goodwill in the business concerning the sale of couplers. A coupler is a device which connects the prime mover or tractor to the trailer of a vehicle used to carry goods by road. It can be disengaged and therefore is a very convenient device for the delivery of goods to customers' warehouses. The plaintiff's coupler is known as "YORK BIG D". At the material time another type of coupler similar to that sold by the plaintiff came into the market. It was manufactured in China. It was sold and distributed by the defendant. The plaintiff took the position

that the defendant had violated its commercial interest. So, it brought an action in the tort of passing off against the defendant. That action was tried in the High Court and after a protracted hearing, the High Court granted the reliefs we adverted to in the opening paragraphs of this judgment.

The main and indeed only ground, on which this appeal is based is whether the plaintiff has made out sufficient goodwill to maintain an action in passing off. Learned counsel for the defendant in a careful and concise argument has submitted that when the case is looked at as a whole, there is insufficient material establishing goodwill in the plaintiff's favour.

This sole issue raised in the appeal brings into sharp focus the ingredients necessary for a plaintiff to establish before he can succeed in an action in the tort of passing off. Now, there are five elements which a plaintiff must prove before he may succeed in the tort of passing off. These elements were set out by Lord Diplock in his speech in *Erven Warnink v. Townend & Sons* [1979] AC 731, 742:

> My Lords, *A.G. Spalding & Bros. v A.W. Gamage Ltd* 84 LJ Ch 449 and the later cases make it possible to identify five characteristics which must be present in order to create a valid cause of action for passing off: (1) a misrepresentation (2) made by a trader in the course of trade, (3) to prospective customers of his or ultimate consumers of goods or services supplied by him, (4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence) and (5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a *quia timet* action) will probably do so.

It will be seen at once that goodwill is an essential element of the tort. Absent any goodwill, a plaintiff has no cause of action.

Thus in *Athletes' Foot Marketing Associates Inc. v. Cobra Sports Ltd* [1980] RPC 343, the plaintiff who carried on a retail shoe franchising business mainly in the United States had prospective franchisee in England but had not commenced trading there. Evidence was led to show public knowledge of the plaintiff's business. However, no one in England had bought anything from one of the plaintiff's franchised shops abroad. The plaintiff's advertisements in American publications reached England. But there was no solicitation by way of postal trade. Walton J held that the plaintiff had failed to establish goodwill and accordingly refused to grant an interlocutory injunction.

The importance of the existence of goodwill was brought home by Lord Diplock in the advice of the Privy Council delivered in *Star Industry Co. Ltd v. Yap Kwee Kor* [1976] 1 MLJ 149 at p. 155:

> A passing-off action is a remedy for the invasion of a right of property not in the mark, name or get-up improperly used, but in the business or goodwill likely to be injured by the misrepresentation made by passing-off one person's goods as the goods of another. Goodwill, as the subject of proprietary rights, is incapable of subsisting by itself. It has no independent existence apart from the business to which it is attached. It is local in character and divisible; if the business is carried on in several countries a separate goodwill attaches to it in each. So when the business is abandoned in one country in which it has acquired a goodwill the goodwill in that country perishes with it although the business may continue to be carried on in other countries. (See: *Inland Revenue Commissioners v. Muller & Co's Margerine Ltd* [1901] A.C 217, per Lord Macnaghten at page 224; per Lord Lindley at page 235).

It follows from the foregoing passages to which we have adverted that proof of mere reputation is insufficient in the English law governing the tort of passing off. This comes across more clearly in the following passage in the judgment of Oliver L.J. (as he then was) in *Anheuser-Busch Inc. v. Budejovicky Budvar NP (trading as Budweiser Budvar Brewery and Others* [1984] FSR 413 ("the Budweiser's case") at p. 465:

> That the mere existence of a trading reputation in this country is insufficient in the absence of customers here is well exemplified by *The Athletes' Foot Marketing Associates Inc. v. Cobra Sports Ltd* [1980] RPC 343, where Walton J. helpfully reviewed all the earlier cases. That case bears some similarity to the present in this respect that although the plaintiff (these like the plaintiffs in the instant case) had expended considerable sums in advertising, all their advertising had been in the United States and was directed to the American market. There, as here, there was an awareness of the plaintiffs' trade name and trading activities in a substantial section of the public in England, as a result of over-spill publicity through American journals circulating here. There were, however, no customers in England, because the plaintiffs' activities had got no further than the taking of preparatory steps for setting up business here. The principle was expressed by Walton J at page 350 as follows:
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> > … as a matter of principle, no trader can complain of passing off as against him in any territory – and it will usually be defined by national boundaries, although it is well conceivable in the modern world that it will not – in which he has no customers, nobody who is in a trade relation with him. This will normally shortly be expressed by saying that he does not carry on any trade in that particular country … but the inwardness of it will be that he has no customers in that country: no people who buy his goods or make use of his services (as the case may be) there.
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> This is, I think, a helpful statement, but needs, in the light of the authorities, to be approached with the caveat that "customers" must not be read restrictively as confined to persons who are in a direct contractual relationship with the plaintiff, but includes persons who buy his goods in the market.

Turning now to the present case, it is apparent from a reading of the judgment of the High Court that it found the element of goodwill to have been established by the plaintiff. Thus, we find the High Court in its judgment saying as follows:

> It is clear that the predecessors in title to the common law ownership of the trade mark YORK BIG D and the goodwill of the business had by the agreement dated 20.12.91 and the subsequent enabling deed of assignment dated 11.9.92, conferred on the Plaintiff the absolute rights to the trade mark and the goodwill of the business. In *Walker v. Mottram* [1881] 19 Ch D 355 the Court of Appeal held that between the parties to an assignment of the goodwill in a business, the effect is to confer on the assignee the exclusive right to carry on the business assigned and to represent himself as carrying on that business. In *Allen v. Original Samuel Allen & Sons* [1915] 32 RPC 33, the court held that the name is an important part of the goodwill of the business assigned. In the present case, the distinctive feature of the business of the assignor of the goodwill of the business was YORK BIG D trade mark. It is my finding that all the goodwill to the business and the trade mark YORK BIG D owned by York Trailer Group as at 20.12.91 were validly assigned to the plaintiff who continues to trade under the same trade mark and solicit from the same customers in the territory. There is no evidence of a break in the transfer of goodwill in the mark of business, nor is there any evidence of any abandonment of the goodwill since 20.12.91 until the writ was issued. It is clear that the plaintiff and the assignors of the business and the trade mark had continuously since 1979 sold YORK BIG D coupler units in Malaysia through locally appointed distribution agents. Documentary evidence showed sales of YORK BIG D coupler units in Malaysia since 9.9.80 by Truckmaster, the authorized distributor of the plaintiff. In fact even DW1 who was authorised to give evidence on behalf of the defendant testified that the York Transport Company Ltd, United Kingdom, had sold the YORK BIG D coupler units in Malaysia 30 years ago through Harper Gilfillan.

Further, it appears sufficiently even from the printed evidence that the defendant had throughout the case in the court below admitted without qualification that the plaintiff's predecessor in title had continuously conducted business in Malaysia for 20 to 30 years. It therefore comes as no surprise that the High Court found no break in the plaintiff's business in Malaysia as stated in the passage quoted above.

Additionally, the High Court was well aware of the nature of the case it was trying and did not misdirect itself upon the essential ingredients of the tort. Thus we find it saying:

> This action is one of passing-off of goods and not one of passing-off of the plaintiff's trade name. If the action was one of passing-off by the defendant adopting a trade name identical or in confusion with, or substantially similar to the plaintiff's then the change of the trading name becomes relevant. This is not the case before me. It is wrong for the defendant to submit that the corporate name also functions as the trade mark YORK BIG D.

The thrust of the submission of Mr. Chan Weng Keng of counsel for the defendant is that the plaintiff was not here in Malaysia doing business. But the answer to this contention is to be found in the concluding paragraph in the passage in the judgment of Oliver LJ in the *Budweiser*'s case. To put it another way, it is not a sine quo non for the plaintiff in the present case to succeed, to show that it was either physically present in Malaysia or present here through an agent. Evidence of custom will suffice. And of such evidence, there was an abundance led at the trial. Not only was that evidence credible; it was accepted by the High Court.

The central point then is that whether there is a goodwill or not in a particular case is a question of fact and degree depending on the peculiar facts and evidence produced before a trial court. Once it is found as a fact that there is goodwill then, in the absence of circumstances showing that such a finding is perverse or unwarranted, it is a general rule that this court will not interfere with such a finding. We have said so on numerous occasions.

There remains one other point which we think we are obliged to address. Learned counsel for the defendant emphasized more than once that the plaintiff had failed to discharge the onus upon it in relation to proving the element of goodwill. But this is not a case in which only the evidence of the plaintiff was before the court. Evidence had been led on both sides. And when all the evidence is in, save in a very exceptional case, the question of burden of proof becomes academic. As Lord Dunedin said in *Robins v. National Trust & Co Ltd* [1927] AC 515 at 520:

> Now, in conducting any inquiry, the determining tribunal be it judge or jury, will often find that the onus is sometimes on the side of one contending party, sometimes on the side of the other, or, as it is often expressed, that in certain circumstances that onus shifts. But onus as a determining factor of the whole case can only arise if the tribunal finds the evidence pro and con so evenly balanced that it can come to no sure conclusion. Then the onus will determine the matter. But if the tribunal, after the hearing and weighing the evidence, comes to a determinate conclusion, the onus has nothing to do with it, and need not be further considered.

See also *Sethuratnam v. Venkathchella* AIR [1920] PC 67.

So too here. As we have said, all the evidence was in, and the defendant's witnesses themselves conceded that the plaintiff had done business for a long time in this country. The plaintiff was entitled to rely on that evidence. It did. The High Court was entitled to act on the evidence. We are therefore unable to detect any appealable error.

For the reasons already given this appeal cannot succeed for it lacks merits. I will now invite my brother Richard Malanjum JCA to deliver the formal order of this court.

Richard Malanjum JCA:
The appeal dismissed with costs to be taxed. The orders of the High Court are affirmed. The deposit shall be paid out to the respondents to account for taxed costs.